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Attorneys for Debtors and Debtors-In-Possession

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re:
 USA COMMERCIAL MORTGAGE COMPANY,
 Debtor.

In re:
 USA CAPITAL REALTY ADVISORS, LLC,
 Debtor.

In re:
 USA CAPITAL DIVERSIFIED TRUST DEED
 FUND, LLC,
 Debtor.

In re:
 USA CAPITAL FIRST TRUST DEED FUND, LLC,
 Debtor.

In re:
 USA SECURITIES, LLC,
 Debtor.

Affects:
☐ All Debtors
☐ USA Commercial Mortgage Company
☐ USA Securities, LLC
☐ USA Capital Realty Advisors, LLC
☐ USA Capital Diversified Trust Deed Fund, LLC
☒ USA Capital First Trust Deed Fund, LLC

Case No. BK-S-06-10725 LBR
 Case No. BK-S-06-10726 LBR
 Case No. BK-S-06-10727 LBR
 Case No. BK-S-06-10728 LBR
 Case No. BK-S-06-10729 LBR

Chapter 11

Jointly Administered Under
 Case No. BK-S-06-10725 LBR

**USA CAPITAL FIRST TRUST DEED
 FUND, LLC'S SUPPLEMENT TO
 FINAL REPORT**

**(Affects USA Capital First Trust Deed
 Fund, LLC)**

Date: September 28, 2007

Time: 1:30 p.m.

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USA Capital First Trust Deed Fund, LLC ("FTDF"), by and through its counsel, hereby submits this Supplement to the "Final Report of Action Taken and Progress Towards Consummation of Confirmed Plan of Reorganization" that was filed on July 16, 2007 [Docket No. 4178] ("Final Report"). This Supplement is the "Supplemental Report" referenced in the Final Report and in the "Motion to Close Case and Request for Final Decree" that was filed by FTDF on July 27, 2007 [Docket No. 4242] ("Motion to Close"), which is currently scheduled to be heard by the Court on September 28, 2007. Unless otherwise stated, all capitalized words and terms used herein are as defined in the Final Report. The Final Report, the Motion to Close and this Supplemental Report are supported by the Declaration of Susan M. Smith ("Smith Declaration") which has been filed concurrently herewith.

I. Introduction

Based on the facts stated in the Final Report, the Motion to Close and below, all of which are supported by the Smith Declaration, the estate of FTDF has been "fully administered" within the meaning of Section 350(a) of the Bankruptcy Code. *See* Motion to Close at 6-9. Accordingly, FTDF respectfully requests that the Court grant the Motion to Close, and enter a Final Decree in FTDF's Chapter 11 Case.

In the Final Report and the Motion to Close, FTDF disclosed that as of the date of the filing of those papers, all of the assets of the FTDF estate had been transferred in accordance with the confirmed Plan and Confirmation Order, substantially all distributions required to be made under the confirmed Plan and other Orders of the Court had been made, all of the Compromises set forth in the Plan or approved by the Court pursuant to the Plan after the Effective Date had been effectuated, all Disputed Claims had been resolved, and substantially all litigation involving FTDF had been resolved. The Smith Declaration at ¶¶ 5-17 sets forth the facts supporting these disclosures.

FTDF also disclosed in the Final Report and the Motion to Close that, although the confirmed Plan had been substantially consummated and implemented as to FTDF, there were a limited number of matters that required continued administration or resolution. As set forth in Part II of this Supplemental Report, all of those matters, with the exception of those dependent on

a Final Distribution, have been fully administered or resolved, and the Final Distribution and matters related thereto will be accomplished within ten days of the entry of an Order granting the Motion to Close.

Finally, certain limited matters have arisen since the filing of the Final Report and the Motion to Close, all of which have been resolved or will be resolved as part of the Final Distribution. These matters are discussed in Part III below.

II. Status of Matters Unresolved At The Filing Of The Final Report And Motion To Close

FTDF stated in the Final Report and Motion to Close that the following limited matters required continued administration or final resolution as of the date that those papers were filed:

- (1) The allowance by the Court of the Administrative Expense Claims requested in the Final Fee Applications filed by the FTDF Committee and by the professionals for FTDF and the FTDF Committee, and a distribution from the FTDF Ordered Expense Reserve on any such Allowed Administrative Expenses Claims. *See* Final Report at 3; 8 (¶ II.5.d.); 9 (¶ III.5); & 10 (¶ IV.1.a).
- (2) Payment of several Allowed Claims. *See* Final Report at 8 (¶ II.5.e.i.); 9 (¶ III.4); & Exhibit 2.
- (3) Dismissal of the Compass Proceeding. *See* Final Report at 10 (¶ IV.1.b).
- (4) Entry of an Order by the District Court approving the stipulation dismissing FTDF from the DACA appeal of the Confirmation Order. *See* Final Report at 11 (¶ 2.b).
- (5) Payment of final implementation expenses from the FTDF Ordered Expense Reserve, and the release of any surplus Cash in that Reserve. *See* Final Report at 3; & 8 (II.5.d.).
- (6) Final Distribution. *See* Final Report at 2-3.
- (7) Certain limited ministerial matters related to the winding up of FTDF (“Wind Up Tasks”). *See* Motion to Close.

At this time, items (1) through (4) have been accomplished or resolved. Smith Declaration ¶¶ 10-13 & 15. Furthermore, as set forth in ¶¶ 18-22 & 27 of the Smith Declaration, it is anticipated that within ten days of the entry of an Order granting the Motion to Close, items (5) and (6) will be accomplished: The last of the implementation expenses will be set, those expenses will be paid from the FTDF Ordered Expense Reserve, the FTDF Ordered Expense Reserve will be released, and a Final Distribution will be made. Upon Final Distribution, if not sooner, the limited Wind-Up Tasks defined in item (7) will be accomplished. *See* Smith Declaration ¶¶ 24-26.

Within ten days of making the Final Distribution, FTDF will file a Final Distribution Report with the Court, which will include a copy of an executed Disbursing Agent Agreement, the form of which has been approved by the Court. Smith Declaration ¶ 23. After the Final Distribution is made and the Disbursing Agent Agreement is executed, all future responsibility for any distributions to FTDF members pursuant to the Compromises in the confirmed Plan, including Art. IV, Section A.3.b and A.3.d of the Plan, will be the responsibility of the USACM Trust as FTDF will cease to exist.

III. Matters That Have Arisen Since The Filing Of The Final Report And Motion To Close

Since the filing of the Final Report and the Motion to Close, a limited number of matters have arisen, all of which have been resolved, or will be resolved upon Final Distribution.

- (1) *State Court Action.* On September 19, 2007, FTDF was served with a Complaint that was filed in Superior Court of Arizona, Yavapai County, designated as Case No. CV820070179. The Plaintiff in that matter has since filed a Notice of Voluntary Dismissal as to FTDF, which is attached as Exhibit 3 to the Smith Declaration. Thus, this matter is no longer pending in the state court. Smith Declaration ¶ 15.c & Exhibit 3.
- (2) *Reclassification Motions.* After the Final Report was filed, FTDF learned that approximately 18 proofs of Claim had been filed against other Debtors by FTDF

members. Accordingly, at FTDF's request, the FTDF Committee filed papers with the Court objecting to or related to the treatment of the Claims ("Reclassification Motions"). A hearing on the Reclassification Motions is scheduled for September 28, 2007. At this time, only one response has been filed, and it has been resolved by Stipulation. This Stipulation, if approved by the Court, will permit one additional "Allowed Claim" against FTDF which will be paid in full by FTDF as part of the Final Distribution. Smith Declaration ¶ 14. Also, three other parties affected by the Reclassification Motions have entered into Stipulations, agreeing to withdraw their respective Claims. No other parties served with the Reclassification Motions have filed responses thereto. Accordingly, it is anticipated that the Court will enter an Order at the scheduled September 28, 2007 hearing granting the Reclassification Motions as to all of those who have not responded. The granting of the Reclassification Motions as to claimants who have not responded will not impact distributions that have been made to date. Smith Declaration ¶ 15.a.iii.

3. *HMA Settlement.* FTDF has learned that the Court recently approved a Settlement Agreement in the Chapter 11 case, In re HMA Sales, LLC, Case No. 07-12694, potentially involving the rights of certain FTDF members to receive a Final Distribution. As set forth in ¶ 27 of the Smith Declaration, FTDF will make its Final Distribution consistent with the terms of the Court-approved Settlement Agreement.

IV. Conclusion

Accordingly, based on the Smith Declaration, the Final Report, the Motion to Close and this Supplemental Report, FTDF requests that this Court grant the Motion to Close, and enter a

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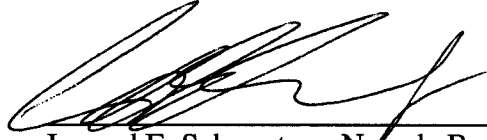
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1 Final Decree in FTDF's Chapter 11 Case.

2 Respectfully submitted this 27th day of September, 2007.

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